

CENTRAL INTELLIGENCE AGENCY
15 November 1973

INTELLIGENCE MEMORANDUM

MIDDLE EAST

Situation Report Number 121
(as of 1500 EST)

State Dept. review completed

POW EXCHANGE

1. The first stage of the prisoner exchange was completed today with the transfer of 26 Israeli wounded prisoners and 284 Egyptians in Red Cross planes flying directly between Cairo and Tel Aviv. Another planeload of Egyptians is expected to leave for Cairo today. Egypt, according to an Israeli correspondent, was unable to organize the repatriation of a larger number of Israeli prisoners, and many of those expected to be returned to Israel will be held up, apparently until tomorrow. These include, the correspondent said, the nine Israelis captured more than three years ago during the war of attrition. Although there has as yet been no adverse reaction to this apparent delay by the Egyptians, Tel Aviv and the Israeli population in general will undoubtedly be displeased and suspicious. This is particularly true since Israeli military officials had publicly announced this morning that the nine prisoners would return today.

2. Israeli troops, according to press reports, have removed a barbed wire barricade at the Kilometer 101 checkpoint on the western portion of the Cairo-Suez road. Although they are reportedly still preventing access by the press, the UN has announced that two convoys of relief supplies passed through the checkpoint en route to Suez City. A Red Cross spokesman has also announced in Geneva that the evacuation of 1,300 sick and wounded Egyptian civilians from Suez will begin tomorrow.

3. [redacted] the UN 25X1
 was planning to send a train from Cairo to Suez early today to inspect the safety of the railroad for use in the medical evacuation of Suez. The railroad line passes through Israeli-held territory parallel to the Cairo-Suez road, and in view of recent troubles over control of the road and the functioning of UN checkpoints there, it would seem likely that the Israelis will object strenuously to the introduction of a rail route.

MILITARY SITUATION

4. Minor cease-fire violations were reported on both fronts today. Damascus claims that a Syrian force destroyed a tractor when an Israeli engineering unit moved toward the Syrian line. The Israelis returned tank fire at the Syrians who countered with artillery. This exchange apparently ended the incident, the first to be reported in several days. 25X1

5. [redacted]
 Egyptian forces attempted to infiltrate Israeli lines at an unspecified location early this morning. The Israelis threatened to open fire, but no additional action was reported.

6. Several Israeli aircraft were active over the canal area today [redacted] 25X1

[redacted] There are no reports of Egyptian aircraft active near the front. No air activity was reported over the Syrian front. 25X1

A SECOND ROUND FOR EGYPT?

7. Washington Post correspondent Jim Hoagland reported today (on page 26) that the reason for PLO chief Yasir Arafat's abrupt cancellation of his trip to Moscow was President Sadat's advice to him that new Arab-Israeli hostilities were imminent. Arafat had been in Cairo (last Sunday) and he has seen the Lebanese president, to whom Hoagland says he gave the "imminent hostilities" explanation.

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8. Another explanation of Arafat's change of plans

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Soviet leaders have refused to receive Arafat until he can deliver the entire Palestinian leadership's acceptance of a separate Palestinian state.

9. Al Anwar--a pro-Cairo Beirut newspaper warns today that a resumption of fighting may be required to overcome Israeli intransigence and demonstrate to the United States the Arab world's determination to achieve its objectives--a return to the 1967 borders. The more moderate An Nahar fears that the "weakness" of the Israeli and US political administrations "is what Egyptians fear and what brings them to expect a return to fighting."

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SOVIET POLITICAL ACTIVITY

16. The communique issued today on Tito's talks with Brezhnev in Kiev broke no new ground on the Middle East. Both leaders called the Middle East settlement "one of the most important tasks" and said their countries continue ready to make efforts in this direction. The communique accused Israel of "crude flouting" of the UN cease-fire resolutions, including the call for a withdrawal to 22 October positions, and noted the "dangerous consequences" of Israel's "adventurous actions." In Moscow, meanwhile, Premier Kosygin told a visiting Guinean delegation that Moscow is prepared "to continue rendering utmost assistance" to implement UN resolutions on the Middle East.

17. The Soviet foreign affairs weekly New Times has touched on the sensitive subject of Arab financial holdings in the West. The article noted that substantial sums amassed by the Arabs from their oil income are held in West European and American banks. It said "if the Arabs withdrew only half of their investments, it would lead to a serious upheaval of the finances of many West European countries." (The article, according to the TASS summary, does not explicitly mention the US in this regard.) Although Moscow had endorsed the Arab oil boycott earlier, it had not taken such explicit note of the significance of Arab financial reserves.

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OIL PRODUCTION CUTBACK

19. Libya and Algeria, neither of which fully implemented the October agreement to cut oil production, now appear to be implementing the 25 percent cut agreed to at the second Arab oil producers' meeting in November. One of the US oil companies operating in Libya was told recently to cut its production by approximately 25 percent. The US Interests Section in Algiers, relying on information concerning only two fields, has reported that Algeria has already cut oil production by at least 15 percent from its September level. The two countries account for about 17 percent of Arab oil production. Iraq, which did not sign either agreement, lost about 20 to 30 percent of its production because of war damage to its terminal at Baniyas.

20. Saudi Arabia is implementing its cutback in ways that will further aid the favored nations at the expense of other consumers. Favored consumers--including France, Spain, the United Kingdom, and a number of Third World countries--are being allowed to import Saudi oil in quantities equal to the average levels of the first nine months of 1973 or at the September 1973 level--whichever is higher. The other

producers are basing favored nation exports on the first nine months of 1973. Moreover, Saudi Arabia reportedly is considering allowing certain of the favored nations to import oil at levels high enough to cover projected consumption increases. Such a move would further restrict supplies to the nonfavored nations and would increase divisive pressures among consumers.

21. Arab oil revenues will reach a record \$4.3 billion in the first quarter of 1974, even if proposed production cutbacks of five percent each month continue. While output during the first three months of 1974 will be only two-thirds that of the comparable 1973 period, revenues will be up \$1.8 billion, or some 70 percent greater than last year.

22. The several price increases during the year more than doubled government revenues per barrel in most cases. The October price increases alone will easily compensate for lost production. Arab oil revenues for 1973 are expected to increase 54 percent, and oil exports will average 1 million b/d more than in 1972--a seven percent increase.

DEPENDENCE ON ARAB OIL RESTRICTS EUROPEAN COMMUNITY (EC) OPTIONS

23. The Vice President of the EC Commission recently stated that no joint policy to share oil or confront the Arab producers is in prospect, despite the difficulties caused by the Arab embargo against the Netherlands. The Commission itself reportedly is in "complete confusion," and some working-level officials now fear that the lack of unity on oil will spread to other EC issues. The UK and France in particular oppose formal oil sharing, fearing reversal of Arab policies favoring them. EC strategy now appears to be based solely on hopes that the Arabs will ignore any de facto sharing that might occur under oil company auspices in exchange for the Community's recent pro-Arab Middle East statement.

24. The need for the oil by all EC members also has probably precluded any effective action to resist Arab demands. France and the UK took action in 1956-57 and a coordinated OECD oil sharing plan was agreed upon in 1967,

but the EC's vulnerability to Arab action in both those instances was much less. Arab oil contributed only 14 percent of the EC's energy supply in 1957, but it had risen to some 42 percent by 1972. Moreover, during the Suez crisis, and to a lesser extent in 1967, Europe could count on spare crude capacity available in the US and the Caribbean. Little or no non-Arab spare capacity exists now and the EC faces competition with the US and other nations for its non-Arab supplies. Even those EC members with relatively large domestic resources--the Benelux countries, the UK, and West Germany--would only be able to marginally increase alternative energy supplies to offset a loss of Arab oil.

25. If the Arab states continue their progressive cut-back policy, the EC would be threatened by serious economic disruptions within a few months. Even allowing for the embargo on shipments to the US and continuation of the favored positions of France and the UK, EC supplies of Arab oil by next March probably would be at least 40 percent below earlier anticipated levels. Under these conditions, EC total oil supplies would be lowered by about 28 percent and total energy supplies by at least 17 percent. If fairly drastic conservation measures are taken and stocks are drawn down, however, most EC members should be able to get through the winter without major dislocations. After that, even though peak winter fuel demand will subside, the impact on industry would seriously affect output, employment, and exports throughout the Community.

26. A British correspondent in Tehran has received information that Kuwait will raise discussion of a total oil boycott of Italy when the forthcoming Arab summit conference convenes. Kuwait is said to have received information which it regards as irrefutable that Italy supplied Libyan oil to the US Sixth Fleet during the war, and it will reportedly urge that the Arabs adopt a unanimous decision at the summit to embargo the Italians. The correspondent has noted the possibility, however, that the story, which he has filed for the Financial Times, may have been planted with him deliberately as a means of warning European nations against fueling the Sixth Fleet.

ARAB SUMMIT

27. After considerable backing and filling about the timing of--and even the advisability of holding--an Arab summit, it appears that a conference will be held at Algiers on 26 November. The proposed date had been 28 November, but several Arab states, including host Algeria, have announced that the date will be moved up by two days. A preliminary Arab foreign ministers' meeting, to be held on 24 November, originally scheduled for Cairo, also will apparently be held in Algiers.

28. Much of the indecision about the timing and the location of the conclaves probably results from President Sadat's and King Faysal's apprehensions that a summit could become a not easily controlled forum for the more radical Arab states. Both leaders may now have concluded that a high-level meeting is inevitable and would be less damaging with, than without, their participation.

BAB AL-MANDAB

29. According to a French news agency, Yemen (Aden) Foreign Minister Muti made a statement in Beirut today to the effect that Egypt and Aden were jointly maintaining the blockade at the Strait of Bab al-Mandab. Muti claimed that Egyptian naval vessels and Adeni troops stationed on Perim Island constitute the blockading force.

30. We have no evidence that Aden has involved itself in the blockade/

the Yemenis were reluctant to engage in activity of this sort unless it was decided upon jointly by a conference of Arab states. Aden may hope, by publicly claiming dual credit for the blockade, to pressure Egypt to renege on any private pledges it may have made to lift the blockade.

CUBA AND THE ARABS

31. Cuba's assistance to the Arab nations is continuing. There have been at least seven Cubana special flights to the Middle East since 14 October.

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33. Although some of the Cuban assistance consists of medical teams and supplies, the majority of personnel appear to have military specialties and probably are performing maintenance, communications, and base security roles.

FEDAYEEN

34. One of the subjects to be taken up at the Arab summit and foreign ministers' conferences will reportedly be fedayeen participation in a peace conference with Israel. An official in the Lebanese Foreign Ministry has told the US Embassy that he believes, based on his recent conversations with both Egyptian and Syrian officials, that the Arab governments will attempt to rally support at the summit for a formal decision that the Palestine Liberation Organization (PLO) attend the peace conference as the representative of the Palestinians. The Lebanese official believes that those fedayeen groups which oppose fedayeen participation in negotiations will not have much influence, despite the support they are receiving from Iraq and Libya.

35. The official gave the impression that he believes the moderate Arab governments would lean on Yasir Arafat to bring the PLO along. In fact, however, Arafat does not need pushing, and he may intend to use the occasion of the summit, which he is slated to attend, to announce the PLO's decision to negotiate. This could serve to co-opt recalcitrant fedayeen elements.

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36. [redacted] a delegation of the PLO executive committee will after all leave for Moscow [redacted]

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[redacted] despite the fact that they are still not agreed on a unified position regarding negotiations.

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[redacted]

UN EMERGENCY FORCE (UNEF)

37. Soviet support for the UNEF appears to have cooled. Although Moscow was initially anxious to participate in UNEF peacekeeping, it now seems at best only indifferent. The Soviet airlift of Finnish, Austrian and Swedish contingents has been marked by repeated, unexplained delays and all three states have now complained about inadequacies of the Soviet effort. Similarly, Moscow insisted upon contributing observers to the UN Truce Supervisory Organization (UNTSO). Soviet UN representatives are now, however, obstructing deployment of officers by disputing the precise number of personnel that they are entitled to on UNTSO. Last month, Moscow also surprisingly reversed its standard policy and announced that it would contribute to the financing of UNEF. During the past week, however, Soviet representatives have shunned the negotiations for assessment scales for a UNEF fund. Moscow may be pressing for the most favorable possible terms for its participation, but it is also possible that Soviet resentment of US predominance in the cease-fire negotiations has cooled their support for UNEF.

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[redacted]

ANNEX I

UNITED NATIONS EMERGENCY FORCE

<u>STATE</u>	<u>PERSONNEL IN M.E.</u>	<u>SITUATION</u>
Sweden	537	Patrolling Ismailia area, one company on Cairo-Suez road
Ireland	262	Patrolling between Israeli front and Egyptian second army, only unit now on east bank
Austria	475	Patrolling Bitter Lake area, one 50-man company on Cairo-Suez road. A delayed Soviet airlift is bringing 25 additional troops and equipment.
Finland	600	Patrolling Suez City and Israeli-controlled area to west, including disputed Suez road checkpoints.
Canada	400	Communications corps. Additional logistics units are being negotiated.
Poland	5	Advance team for 200-man engineering squadron. Airlift to begin 18 November.
Peru	2	Airlift of 500-man battalion scheduled to begin 15 November. Will be deployed on southern front, east bank.
Panama		407-man battalion to be airlifted by US after Peruvian contingent.
Indonesia		582 troops to be airlifted by US 1 December. 32-man advance party will depart 22 November.

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<u>STATE</u>	<u>PERSONNEL IN M.E.</u>	<u>SITUATION</u>
Nepal		Has agreed to contribute 400-500 Gurkhas.
Ghana	9	Advance team for 600-man infantry unit.

Comments: On 15 November there were approximately 2,300 peacekeeping troops in the Middle East; commitments for contributions now approach the 7,000-man goal. Zaire is reportedly staging a 600-man infantry battalion for departure on 20 November. [redacted] Kenya may decide today to make a battalion available to UNEF. Senegal is also likely to participate. The Security Council is expected to readily approve all these participants.

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